

NSC BRIEFING

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13 July 1955

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INDONESIAN DEFENSE MINISTER OUT?

NSA Declassification/Release Instructions on File.

I. Resignation of pro-Communist Defense Minister

Iwa (reported impending) would be major break in 17-day Indonesian Army-Government crisis.

A. Crisis precipitated (27 June) by government "Ramrod" appointment of chief-of-staff (Utoyo) not acceptable to rest of top army brass.

B. If Iwa's withdrawal is followed by appointment of new chief-of-staff, army leaders will probably be satisfied.

C. Some, however, may press on for full cabinet purge.

1. Col. Simbolon, tough anti-Communist commander of North Sumatra who claims to be architect of army's strategy, has stated that Army is "playing for keeps" and that whole cabinet must resign.

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II. Even without continued Army pressure, act of Iwa's resignation, in itself, will be widely regarded as unmistakable evidence weakness of Ali govt, and cabinet downfall is now distinct possibility.

- A. Ali coalition government has been increasingly criticized for inept handling of Indonesia's political, economic and military problems.
- B. One coalition member (Parindra, small 7-seat nationalist party) appears to be on the verge of withdrawing its representative in Ali cabinet and washing its hands of government policies.
 - 1. Action would deprive Ali of his present non-Communist plurality (2 seats).
- C. In the absence of any other defections, Ali probably would be able to limp along until September elections, but would be totally dependent on Communist support.

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D. In this regard, Secretary General of Communist Party has strongly reiterated his party's support of Ali and opposition to either a presidential cabinet or a "military dictatorship."

III. Indonesian President Sukarno's prestige, already tarnished by increasing association with Ali's National Party, will suffer further as result Iwa's resignation.

- A. Sukarno hand-picked Iwa for job as defense minister, and supported him until present impasse.
- B. Was also instrumental in appointment of unpopular chief-of-staff.
- C. Under present circumstance, Sukarno may no longer be able to resist mounting pressure to replace Ali govt with a presidential cabinet (most probably headed by Vice President Hatta, a pro-West moderate) pending the September parliamentary elections (nation's

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first).

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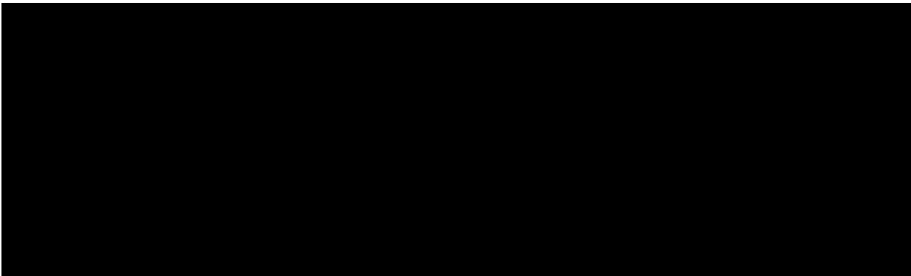
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FORMOSA STRAITS SITUATION

- I. No significant military developments in Straits area during past week.
- II. USSR continues to transfer military equipment to ChiComs.
 - A. Two Sov destroyers and four subs (sighted sailing past Korea on 26 June) have arrived at Tsingrao and have been joined there by six 300-ton Sov subchasers. All vessels will probably be turned over to ChiComs. (Destroyer strength will rise to 4; sub strength to at least 11).

25X1D

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- III. Peiping continues to await both reports from intermediaries and developments at Summit as aid in assessing prospects for future talks--either directly with US or international negotiations.

SOVIET DECISIONS ON INDUSTRY

001 - 6548-55

- I. Communist Party Central Committee decisions indicate continuation economic policy expressed in the February 1955 budget to "strengthen the defense potential."
- II. The Soviet Fifth Five Year Plan (1950-55) for industrial production was fulfilled. However, consumer goods goals reduced January 1955, probably will be met.
- III. Last week in Party Central Committee meeting, Premier Bulganin re-emphasized heavy industry as the basis for the rapid development of all branches of the national economy. Thus Sixth Five Year Plan will stress continued rapid expansion of metallurgical (especially aluminum) fuel, chemical, and electric power industries.

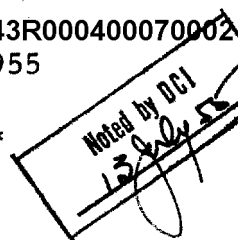
(to be made public in Feb '56 at 20th Party Congress)

productivity and high production costs, the Sixth Five Year Plan will concentrate on the production of modern machinery for greater mechanization, automation, and specialization. Bulganin encouraged wider foreign contact for exchange of the latest technological information.

- V. Premier Bulganin apparently did not discuss increasing labor productivity by increasing consumer incentives directly. Central Committee reports on Soviet agriculture not yet received.

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Growing Nuclear Capabilities*
NIE 100-5-55



- I. NIE 100-5-55 much broader in scope than ref.
document which deals primarily with reactions
to 15 Feb AEC statement.
- II. Result is that reference statement leaves im-
pression that overseas reaction to growing nuclear
capabilities much less serious than as estimated
in 100-5-55.

Conclusions 100-5-55

- III. The most important effect in non-Communist
countries of growing nuclear capabilities is to

* Ref. : OCB Report of 8 June on Overseas Reaction
to the AEC, Feb. 15, 1955, Statement (Item 5 on
NSC Agenda)

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diminish the willingness of most governments and peoples to incur risks of war. A second effect is to increase public desire for a reduction of international tensions, and for the use of all possible means, even including those which the governments themselves may consider ill-advised, to work towards a settlement with the Communist powers. Finally, there is increased public pressure on governments to find some means of international disarmament, and especially some means of

insuring that nuclear weapons will not be used in

I MIGHT ADD THAT EUROPEANS FAR MORE
war.
VULNERABLE THAN WE TO GUIDED MISSILE
AND LIGHT BOMBER NUCLEAR ATTACKS.

IV. ~~Evidence from the USSR indicates that~~ The Soviet

rulers are well aware of the nature and the power of nuclear weapons, which had generally been minimized publicly in Stalin's time. We believe

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that they are deeply concerned by the implication of these weapons. US nuclear capabilities almost certainly constitute a major deterrent to overt military aggression by the USSR.

V. As nuclear capabilities further increase, and the possibilities of mutual devastation grow, the tendencies to caution and compromise presently discernible in non-Communist countries will ~~probably~~ be accentuated. Aversion to risks of war, pressures for disarmament, and fear of general war, will almost certainly be more marked than now. The difficulties of conducting policy against ~~such adversaries as~~ the Communist leaders will ~~probably~~ be increased, and the chances may become greater of a weakening of the non-Communist position by successive

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concessions. At the same time the Soviet leaders themselves, because of their recognition of the devastating effects of nuclear weapons, will still almost certainly be concerned not to pursue aggressive actions to the point of incurring substantial risk of general war.

VI. We believe that the allies of the US, and especially the major allies, will continue in the alliance despite the increase of nuclear capabilities, at least as long as general war does not appear imminent. If general war appeared imminent or actually occurred, their policies would depend in large measure on the course of events. Some of the allies might have no choice, and could not remain uninvolved even if they

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wished to do so. Some might consider the issue at stake insufficiently important to risk general war, and might therefore declare themselves neutral at an early stage of the crisis. Some governments might estimate that full-scale nuclear war between the US and the USSR would end with complete or near-complete destruction of the war-making potential of both powers, and therefore that neutrality might be both a safe and a profitable position. If events developed in such a way as to confront governments with a clear and immediate choice between nuclear devastation and neutrality, we believe that practically all would choose neutrality.

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VII. As its nuclear capabilities grow, the USSR will have a greatly increased capability to inflict destruction, particularly on the US itself. Nevertheless, the Soviet leaders will probably still not be confident that they could attack the US with nuclear weapons without exposing the USSR to an even more devastating counterblow. We believe, therefore, that the USSR will continue to try to avoid substantial risks of general war despite the increase of its nuclear capabilities. However, as these capabilities grow, Soviet leaders may come to estimate that the US, because of fear for itself or for its allies, or because of pressure by its allies, will be increasingly deterred from initiating full-scale nuclear war. They may therefore

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come to believe that local wars will be less likely than at present to expand into general war, and thus that superior Bloc military capabilities in certain local areas can be exercised without substantial risk of provoking general war.

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1. BULGANIN

2. KHRUSCHEV

3. MOLOTOV

4. ZHUKOV

5. GROMYKO - First Deputy Foreign Minister

6. MALIK - UK Ambassador "V. 10" - 49

7. ZARUBIN - Washington Ambassador 55

8. VINOGRADOV - French Ambassador 48

9. PUSHKIN - German High Commissioner 49

10. SEMENOV - Second Deputy Foreign Minister 53

Delegation

Advisers

SUMMARY: 3 members Presidium; 1 Defense; 7 professional diplomats, including their recognized experts in principal expected agenda items such as Germany and Disarmament. (MOLOTOV counted twice.)

→ Described in WWII as
"a fanatic person full of cold
hatred for everyone but with
a weakness for Germans"

COMPOSITION OF SOVIET DELEGATION

- I. Biggest surprise in announcement of composition of Soviet delegation in presence of Khrushchev.
 - A. Gives greatly added punch to Soviet representation--particularly in its ability to make on-the-spot decisions.
- II. Bulganin "heading" delegation. Molotov, Marshal Zhukov (Defense), and Foreign Affairs Specialist Gromyko round out the ^{SENIOR} group.
 - A. All phases of Soviet government adequately represented--virtual transfer of top authority to Geneva.
- III. Total of 5 "advisors" includes four key ambassadors--Malik (UK), Vinogradov (France), Zarubin (US) and Pushkin (East Germany).
 - A. 5th man is Deputy Foreign Minister Semenov, Central European and German

#1: AMBASSADOR TO UK

YAKOV ALEKSANDROVICH MALIK

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Malik, 49-year-old economist [REDACTED]

25X1C

[REDACTED] rose rapidly in Soviet political life by denouncing, then supplanting his superior in Japan, the Soviet ambassador. After making his mark in diplomatic work

25X1C

[REDACTED] "Veto"
Malik served as USSR Permanent Representative to the UN (1948-52) and after Stalin's death replaced Gromyko as ambassador to Britain. Malik has three children, [REDACTED] and suffers from a "heart ailment" of long standing.

STATOTHR

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~~ADVISORS~~

#2: AMBASSADOR TO FRANCE

SERGEI ALEKSANDROVICH VINOGRADOV

Vinogradov, 48-year-old former history professor, is a clever, well-read and experienced diplomat who entertained lavishly while ambassador to Turkey (1940-48), presumably was a desk jockey in the Moscow offices of the Foreign Affairs Ministry (1948-53) and has capably served as ambassador to France since July 1953. He served as an adviser to Molotov at both the Berlin and Geneva conferences last year.

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"ADVISORS"

#3: AMBASSADOR TO US

GEORGI NIKOLAEVICH ZARUBIN

Top-flight Soviet diplomat, skilled in British and American affairs. Has been ambassador to US since 1952. Served as ambassador to Canada 1944-46, as ambassador to Britain 1946-52.

Zarubin has participated in numerous diplomatic conferences and speaks English well.

#4: AMBASSADOR TO EAST GERMANY

GEORGY MAKSIMOVICH PUSHKIN

J
Pushkin, 49-year-old specialist on German and Central European affairs and one of the top 12 to 15 Soviet diplomats, has been associated with the so-called "hard" policy program in East Germany during 1952-53 and possibly, therefore, in policy conflict with Semyonov who favors a "soft" line. Pushkin served as Ambassador to Hungary until 1949. As such he masterminded the crushing of non-Communist resistance to the Red regime. He served as chief of the diplomatic mission in Berlin (1949-52), served in Moscow as deputy foreign minister and later head of the division concerned with German affairs, returning to Berlin as Ambassador in 1954.

ADVISORS
#5:

V. S. SEMYONOV

Semyonov, 53-year-old Deputy Minister of Foreign Affairs, is an expert on Germany. Described as "a fanatic with cold hatred for everyone but with a weakness for Germans," Semyonov has almost consistently been credited with favoring a "soft policy" in the German area, aimed at creation of a Soviet-oriented, unified, "neutral" Germany as buffer between East and West.

Semyonov, who speaks both German and English, accompanied Molotov to the Berlin conference in 1954 as an adviser.

KHRUSHCHEV'S HAND STRENGTHENED

- 4-12 July 115 man
- I. Recently concluded Central Committee meeting (4 - 12 July) may mark further consolidation Khrushchev's position.
- A. Two new "full" members of all-powerful Party Presidium ^{Polit Bureau} were appointed. Both have been associated with Khrushchev for many years.
- B. First is young (47) man who has been party boss in the Ukraine since '53, had worked there under Khrushchev since '38 (Kirichenko).
1. A transport specialist and long-time Party administrator, he first reached upper echelon ("candidate" member of Presidium) last year, during Khrushchev's rapid rise.
- C. Second is an ideology expert and member of exclusive 3-man Party Secre-

1. He has worked with Khrushchev in

Secretariat since 1949, was

PRAVDA editor-in-chief ('49-'51).

II. Appointees to at least two of three new
Party Secretariat slots ⁽⁵⁾ also reflect
Khrushchev's hand.

A. First has been PRAVDA editor-in-chief
since '52 (Shepilov).

1. He went with Khrushchev to Peiping
and Belgrade, apparently acting as
ideological expert. Acquaintance
may date to his wartime service
in Ukraine.

B. Next is young official who has been
first secretary of Altai Krai (remote
region near Sinkiang) since '46
(Belyayev). He is expert in agricul-
ture, Khrushchev's present obsession.

1. Was champion of aggressive "new

lands" expansion program before

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Khrushchev presented his own plan

to Central Committee in Feb '54.

C. Third ^{new} member Secretariat (Aristov) has had career like fever chart of malaria patient.

1. Shot to top at 19th Party Congress, ('52) as member both of expanded Presidium and Secretariat.
2. Dropped to bottom after Stalin's death (when Presidium and Secretariat cut back), sent to remotest "Siberia" (Khabarovsk Krai, in Soviet Far East).
3. Varied associations and strange career make it difficult to assess significance his appointment.

III. Other Central Committee business included number economic reports and fixing of date for 20th Congress of Party (to be held

14 February 1956).

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- A. This may be another move in Khrushchev's favor.
 - 1. Under Party rules, Congress did not have to require meet until Oct '56.
- B. Calling of Congress ahead of schedule may give Khrushchev another opportunity to strike while iron hot and he in ascendancy.
- C. If, during next year's Congress, Khrushchev is able secure election of Central Committee subservient to him, he will have achieved almost impregnable position as most powerful member of Presidium.

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IV. Meanwhile, both timing of Central Com-

mittee meeting and clear implication of
its appointments supports contention that
Premier Bulganin going to Geneva as "chief-
of-state" in name only. This double-
underlined by surprise* announcement
Khrushchev will be in Geneva delegation!

A. Underscores fact that power in Soviet
Union still firmly controlled by the
Party, led by First Secretary
Khrushchev.

* At Belgrade Khrushchev intimated that he would
not attend the Summit Conference because it was
not a Party problem but a governmental problem.

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SOVIET STATEMENT ON GERMANY

I. At the Argentine Embassy reception in Moscow last weekend, Premier Bulganin was reported to have said that a Soviet pre-Summit statement on the German problem could be expected shortly.

A. The expected statement was issued Tuesday (12 Jul). It was not in form of a Government communique but instead was an "authorized" TASS release.

B. Use of this channel was, in itself, a tip-off that no new proposals would be included.

II. Analysis of statement indicates that Moscow still hopes to avoid the issues of German "unification" and "free elections" at Geneva.

A. Defensive in tone, statement is intended to refute Western charges USSR has lost interest in "unification."

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1. Nonetheless, contains nothing new

on "unity" question and seems to
assume that quick agreement on
this point impossible.

B. States main "unity" obstacle is Bonn
membership NATO, WEU:

1. Therefore claims European "security
system" is necessary first step
toward German unification.

C. We believe this is indication that
USSR may bring forth new European
security proposals at Summit meeting.

III. Statement also indicates Soviet declara-
tion at Summit that "free elections"
question is subsidiary.

A. Probably will propose that such
"detailed" problems be worked out
directly between East and West Germans.

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IndoChina

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INDOCHINA ROUNDUP

- I. 20 July (bugaboo date for election talks in Vietnam) will be third day of Summit meet. Now obvious that no Vietnamese consultations will get off ground by then, which may cause stir at Geneva.
- A. ^{Geneva} '54 agreement states talks shall take place "from 20 July 1955 onward."
- B. Communists take this to mean talks should start immediately on that date. During past month, have been increasingly insistent that provision be observed.
- C. Two high Viet Minh officials and Soviet ambassador, [REDACTED] have hinted at "violent action" in south if consultations delayed.
- [REDACTED]

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E. Bulganin-Nehru statement also voiced concern over Indochina situation, placed Moscow and New Delhi on record for strict implementation of Geneva Pact.

F. Pamphlets, apparently produced by the Communists, turned up in Saigon last week calling for demonstrations against Diem regime and "American election saboteurs." Were completely ignored *by Diem*

II. Diem extremely reluctant to talk with Viet Minh, arguing:

A. Vietnam not bound by Geneva agreements, since did not sign.

B. Talks cannot begin while relations with French not satisfactorily settled.

C. His government cannot make important commitments without approval of yet-to-be-elected national assembly (September is earliest possible date).

- D. Is convinced Communists will not permit "truly" free elections.
- E. Feels okay on consultations would be regarded as sellout, "alarm and demoralize" the Vietnamese people.
- F. Diem ^{will probably} ~~should~~ make some sort of statement before Summit meet: probably will support Vietnamese unification through democratic elections, but not in accordance with Geneva accords and with no date specified.

III. French legal experts agree that talks ^{should} ~~must~~ begin on 20th.

- A. Have indicated, however, that they will not sit in for South Vietnam, although Communists hold them responsible for carrying out Geneva agreements.
- B. British also favor talks and are urging Diem not to disavow Geneva.
- C. UK holds talks necessary so that South

~~D. Also agree with French that matter is
not worth major crisis.~~

IV. Meanwhile, Diem also amply busy consolidating control in south.

A. Showdown with Cao Dai leaders, who heretofore supported regime, appears imminent.

1. Latter fear Diem's growing power will be turned against them, have hinted they will resort to guerrilla warfare if this happens.

B. Diem's army has successfully dispersed Binh Xuyen and Hoa Hao forces under Soai.

C. However, Hoa Hao forces under Ba Cut apparently offer stiffer resistance.

1. Vietnamese now ^{CLAIM} ~~claim~~ Ba Cut surrounded.

D. Other complicating factors include: reported Viet Minh contacts with rebel groups and impending rainy season, which will seriously hamper Diem's operations, permit rebel remnants to organize guerrilla warfare.

Cambodia
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V. Chou-Ho joint communique (issued Peiping
8 July, on eve Ho's departure for Moscow)
raised issue of US military aid agreement
with Cambodia, which Communists are trying
to make into major issue.

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VI. Cambodian officials have given US assurances they will not back down.

A. These officials also assert that in the event of unfavorable ruling, government would hold referendum on issue and that anticipated popular demand for US aid would be taken to override ICC objections.

Abdicated
B. Prince Sihanouk, still the most powerful political leader in Cambodia, takes same position.

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VII. Elsewhere in Indochina, a rebel Pathet Lao attack on Muong Peun (in northern Laos) on 3 July is most recent and largest-scale of series of Communist-inspired clashes there since '54 cease-fire.

A. Latest reports indicate royal forces have recaptured lost ground, fighting has subsided.

B. Approximately ³⁶⁰⁰~~5,000~~ men (about half of Pathet Lao forces in area) are thought

to be in general area of Muong Peun,

^{with 3000 of them}~~although only a portion were~~ involved

VIII. Attack undoubtedly part of campaign to

force ultimate withdrawal of royal forces from disputed provinces and to back up exorbitant demands put forward during negotiations in Vientiane.

A. Immediate result of attack was suspension of talks by government.

B. Prime Minister, who has bent over backward to be conciliatory to Pathet Lao and to please Indians, issued strong statement denouncing Pathet Lao breach of Geneva agreement and Viet Minh for aiding aggressors.

C. ^{LAOS} ~~Lao~~ government, however, has ^{TACITLY} agreed to ICC proposals for cease-fire and indicates willingness to appoint senior officers to work with Pathet Lao representatives to implement agreement.

D. Another instance of Prime Minister talking tough, without altering policy of "appeasement and conciliation" (as he himself describes it).

IX. Situation remains explosive as both sides

have been building up military strength
in Muong Peun area for several months.

A. At present opposing forces are about
evenly matched. Government garrison
at Muong Peun (1800) has been rein-
forced by royal army's only paratroop
battalion (800 men) and is believed to
have firepower edge over more numerous
Pathet Lao forces.

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B. Pathet Lao, however--aided, [REDACTED]
[REDACTED] by Viet Minh material
and personnel--is gradually increasing
its military capabilities.

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Syria

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NSC BRIEFING

SOVIET SUPPORT OF SYRIA

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II. Story of Soviet assurances began last

March, in context Turkish-Iraqi pressure to keep Syria out of hostile Arab pact proposed by Egypt.

A. Highlights of this story:

1. 23 March--Syrian ambassador in Moscow saw Molotov at latter's invitation--substance discussion unknown.

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2.

3. 13 April--Iraqi diplomat in Damascus told US Ambassador of a statement allegedly made by Soviet minister in Damascus to Syrian chief of staff--if Turks keep pressure on Syria "we will make second Korea in Kurdish areas of Turkey."

4. 16 April--Soviet foreign policy statement on Near East promised "positive attitude" toward steps by any Near Eastern states to adhere to "five principles of coexistence" in relations with USSR.

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5.

6. 10 May--US Embassy Beirut told that Soviets have indicated intention to appoint military attaches in Syria and Lebanon.

B. Soviet propaganda has kept up interest in this topic, but no new statements reported until Molotov meeting with

Azm. in San Francisco.

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III. While Syria (cockpit for forces supporting and opposing "northern tier" development) has been focus of Soviet attention, the USSR's activity there has been only a part of broader pattern of stepped-up Soviet moves in the Near East during the past several months.

A. In "supporting" Syria, USSR probably would not go beyond diplomatic efforts and sale of arms if Syrians desired them.

B. 

Syrians at moment cannot find money for arms already offered by French.

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SYRIA - BACKGROUND

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AFGHAN-PAKISTANI DEVELOPMENTS

- I. Afghanistan's immediate and abrupt rejection (25 June) of Pakistan terms for settlement Kabul riot dispute (incident was 30 March) has left situation in which both sides now striving to improve respective bargaining positions.
 - A. Saudi Arabian and Egyptian mediators threw in sponge after Afghans rejected Pak terms, went home.
 - B. Paks forthwith tightened embargo on Afghans, announced (28 June) preparations sever diplomatic relations.
 - C. Afghans, in turn, played trump by signing 5-year transit agreement with USSR.
 1. Agreement, if put into action, would permit conduct of Afghan foreign trade despite airtight Pak blockade.

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II. However, neither side appears happy over

present stalemate.

A. Paks face serious internal political, economic problems; wish decks cleared of this sort distracting international squabble.

III. Pak ambassador in Kabul saw Afghan king (Zahir Shah) 12 July and recited "misdeeds of commission and omission" of Daud government in hope reopening situation after failure Saudi mediation effort.

A. Afghan king, though country pinched by Pak embargo, refused abandon Pushtoonistan propaganda but recognized it should be dignified, not inciting to hatred and violence.

B. Added he constitutional monarch and therefore unable take direct action, but would set forth his views to Daud.

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C. King most courteous and gracious and

made no threats about turning to
USSR, suggesting Afghan-Soviet transit
agreement being held more as bargain-
ing point than anything else.

IV. Pak government now studying ambassador's
report.

V. Way seems open for further maneuvers
ending in Afghan promise to curb Daud if
Paks will agree Afghan right continue
"dignified" propaganda.

A. Pak government has already privately
intimated to US officials it could
stomach some Afghan propaganda if
Daud were disciplined or removed.

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BACKGROUND ON AFGHAN-SOVIET TRANSIT AGREEMENT

- I. Terms of agreement, as reported by various sources, apparently are
 - A. Five-year agreement.
 - B. Reciprocal rights for transit of goods across signatories' territory.
 - C. Proposed Soviet route from free port (presumably Leningrad) to Termez on Afghan border.
 - D. Delivery guaranteed in 14 days transit time, goods to move in sealed cars.
 - E. Possible 10% reduction in Soviet rail rates.
 - F. Payment by Afghanistan either in Afghan currency or in barter.
- II. In addition, USSR assumed to be willing to absorb some of Afghan foreign trade made uneconomical by purchase from West and transported via USSR.

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III. However, Soviet capability to deliver in 14 days improbable; best estimate is 17 days for express traffic, 25 days for normal run.

IV. Use of Soviet route, even with reduced rail rates, probably considerably more expensive for Afghanistan than present arrangements.

A. Big majority (probably 75% or more) of Afghan trade with West.

V. Not yet proved that Afghans seriously intend to make use of transit agreement. More likely to employ it as bargaining point in dispute with Pakistan in hope of causing other nations to urge easing of Pakistani blockade.

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NSC BRIEFING

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14 July 1955

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CURRENT DEVELOPMENTS IN FRENCH NORTH AFRICA

I. Violence continued during past month in
Algeria and Morocco but Tunisia quiet.

II. In Algeria:

A. French military buildup continues; army
probably now numbers more than 110,000.

B. Military action proceeding against rebel
bands.

1. Despite local gains, local security
director sees little chance for
success before next spring.

2. Administration asking for extension of
state of emergency for additional 6
months.

C. Economic sabotage stepped up--burning
grain fields ready for harvest, alfa and
cork stocks, destruction vineyards.

D. Reform program approved in principle only
--priority remains on ending hit-and-run

attacks, by rebels and terrorists.

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- E. National Assembly debate postponed from 5 to 26 July, to await report of parliamentary investigating committee.
- F. Governor General said to be conferring with nationalist leaders even though French settler element strongly opposes.
- G. Moslem Algerian deputies protest current repression, warn that rebel bands may be supplanted by widespread underground.

III. In Morocco:

- A. New resident general, Gilbert Grandval, arrived 7 July.
- B. Despite enthusiastic reception of Grandval by Moroccan natives in Casablanca, no diminution of terrorism.
- C. True to reputation as man of action has "cleaned house" by ousting 8 of 12 top Residency officials--most old-time Morocco hands.

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D. Indications he will continue police investigation of French settler counterterrorist organization.

1. This has aroused strong settler antagonism.

E. Grandval may now take some action to replace present unpopular sultan. No indication yet what solution he or Paris advocates.

1. Nationalists still hold out for return ousted sultan.

2. Many moderate Moroccans favor regency council.

3. Settler element demands status-quo.

4. Berber chieftain, El Glaoui, publicly demands no change, privately admitted that return of ousted Sultan would be least unpalatable solution to him.

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- a. El Glaoui influence in Residency
hit rock bottom under Resident
General Lacoste. May now attempt
to reinstate himself in Grandval's
good graces.
- b. El Glaoui has no real influence
among Moroccans; past reputation as
leader largely result of French
public relations.

IV. In Tunisia, situation somewhat happier.

- A. No violence, no sabotage, no rebel bands.
- B. French National Assembly 9 July approved
limited autonomy agreement for Tunisia.
 - 1. Council of Republic approval expected
before current session adjourns early
August.
 - 2. Ratification by President Coty and Bey
of Tunis now assured.

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C. Habib Bourghiba, president of Neo-Destour, dominant nationalist party, preparing for peaceful take-over of some administrative functions from French.

D. However, dispute flared between Bey and Bourghiba over Tunisian constitution.

1. Bey wants 2-house consultative assembly, partially indirectly chosen, partially his selection. Wants to select a government which may be ousted only after three no-confidence votes by assembly.
2. Bourghiba wants single house directly elected national assembly.
3. French settlers said to be backing Bey; giving financial support in order to be able to influence composition of assembly. Probably also playing on Bey's latent suspicions that Bourghiba and Neo-Destour seek to abolish

monarchy
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E. Transfer of administrative control may be rough going.

1. Tunisians will want to have immediate maximum control.
2. French civil servants, even with life-time job guarantees, will seek to hinder transfer.
3. Police and justice remaining under French control for initial period--may be factor contributing to confusion.

V. Prospects:

- A. Prolonged military action against Algerian rebels.
- B. Continued violence in Morocco and possibility of build up of rebel bands as in Algeria.
- C. No resurgence of violence anticipated, but considerable political maneuvering likely in Tunisia @

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